

Message Text

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SUBJECT: BUDGET SPEECH - 1975

1. SUMMARY. FINANCE MINISTER'S BUDGET SPEECH MARCH 26 STRESSED TWO PRIORITIES, DEFENSE AND AN ADEQUATE ECONOMIC INFRA-STRUCTURE. TO MEET THESE AND DEAL WITH SLOWER ECONOMIC GROWTH AND INFLATION NOW BEING EXPERIENCED HE OFFERED MODERATELY EXPANSIONARY BUDGET. DEFENSE SPENDING ON REVENUE ACCOUNT INCREASES 36 PERCENT, EDUCATION 22 PERCENT AND HOMELANDS ADMINISTRATION AND DEVELOPMENT 20 PERCENT. EXPENDITURE ON LOAN ACCOUNT IS 25 PERCENT HIGHER THAN LAST YEAR, WITH

LARGEST INCREASE PROVIDING LOAN TO RAILWAYS ADMINISTRATION.

HE GRANTED SOME TAX

CONCESSIONS BUT RULED OUT GENERAL REDUCTION. TO INCREASE REVENUE, TAXES WERE RAISED ON PETROLEUM PRODUCTS, LIQUOR AND TOBACCO, AND LOAN LEVY RELATED TO BUSINESS INCOME. END SUMMARY.

2. FIRST BUDGET SPEECH DELIVERED BY SENATOR HORWOOD AS MINISTER FINANCE MARCH 26 STRESSED TWO PRIORITIES, DEFENSE AND AN ADEQUATE ECONOMIC INFRA-STRUCTURE. IN SUMMING UP
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DETAILED PRESENTATION HE SAID GOVT HAD BEEN STRICT IN ITS

ATTITUDE TOWARD OTHER FORMS OF EXPENDITURE, AND DECLARED THAT IF EXPENDITURE ON DEFENSE, RAILWAYS AND HARGORS, AND ON TELE-COMMUNICATIONS IS EXCLUDED, THEN TOTAL EXPENDITURE ON REVENUE AND LOAN ACCOUNT SHOWS AN INCREASE OF ONLY 13 PERCENT, WHICH IS LOW IN RELATION TO GROWTH RATE OF THE ECONOMY AND THE RATE OF INFLATION.

3. EARLIER IN SPEECH HE INDICATED THE ECONOMY IS CURRENTLY EXPERIENCING SLOWER GROWTH COUPLED WITH RATE OF INFLATION WHICH IS UNSATISFACTORY, THOUGH MODERATE BY PRESENT WORLD STANDARDS. REASONING THAT EXCESSIVELY RESTRICTIVE FISCAL AND MONETARY POLICY WOULD NOT HELP MUCH IN TEMPERING RATE OF INFLATION AND COULD INTENSIFY AND PROLONG SLOWDOWN IN ECONOMY AT EXPENSE OF REAL ECONOMIC GROWTH AND PROSPERITY, MINISTER CONCLUDED THAT PRESENT BUDGET SHOULD, NOTWITHSTANDING INFLATION, BE MODERATELY STIMULATORY.

4. EXPENDITURE ON REVENUE ACCOUNT FOR FY 1975/76 IS ESTIMATED AT R5,023 MILLION OR 16PERCENT HIGHER THAN REVISEDFIGURE FOR 1974/75. THE MOST IMPORTANT INCREASE RELATES TO DEFENSE, OTHER APPRECIABLE INCREASES ARE 22 PERCENT FOR NATIONAL EDUCATION, MAINLY DUE TO INCREASED SUBSIDIES FOR UNIVERSITIES; AND 20 PERCENT MORE FOR BANTU ADMINISTRATION AND DEVELOPMENT, FOR ENHANCED PAYMENTS TO THE "GOVERNMENTS OF THE BANTU AREAS." HORWOOD ALSO PROPOSED HIGHER SOCIAL PENSIONS FOR WHITES, AND SUITABLY ADJUSTED CONCESSIONS IN THE CASE OF OTHER POPULATION GROUPS.

5. DEFENSE APPROPRIATION. REQUESTING R948 MILLION FOR DEFENSE, 36 PERCENT MORE THAN IN 1974/75, HORWOOD SAID QTE I AM SURE THAT THE WHOLE HOUSE WILL CHERISH WITH ME THE EARNEST HOPE THAT THE GOVERNMENT'S EFFORTS AT DETENTE IN SOUTHERN AFRICA WILL BE SUCCESSFUL, BUT UNTIL THAT AIM IS UNEQUIVOCALLY ACHIEVED IT IS IMPERATIVE TO ENABLE OUR DEFENCE FORCE TO DEFEND OUR BORDERS EFFECTIVELY. NO ONE WITH UNDERSTANDING OF THE SITUATION WILL SUSPECT US OF AGGRESSIVE INTENTIONS, BUT AT THE SAME TIME NO ONE SHOULD IMAGINE THAT WE CAN BE ATTACKED WITH IMPUNITY. IN THE MODERN WORLD DEFENCE IS UNFORTUNATELY EXTREMELY EXPENSIVE, BUT IT NEVERTHELESS REMAINS A NECESSITY. UNQTE.

6. EXPENDITURE ON THE LOAN ACCOUNT (MAJOR CAPITAL EXPENDITURES, INCLUDING LOANS FOR CAPITAL DEVELOPMENT) IS ESTIMATED AT R1,510 UNCLASSIFIED

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MILLION, 25 PERCENT HIGHER THAN THE REVISED FIGURE FOR 1974/75. THE GREATEST INCREASE IS FOR A LOAN TO THE RAILWAYS ADMINISTRATION, FOR WHICH R427 M.IS REQUESTED, 50 PERCENT MORE THAN LAST YEAR. AN INCREASE OF R30 M. OR 35 PERCENT IS REQUIRED FOR DEPT OF PUBLIC WORKS, LARGELY FOR URGENT WORKS REQUIRED FOR DEFENSE PURPOSES. FURTHER INCREASES REQUESTED ARE: R39M. OR 36 PERCENT FOR BANTU ADMINISTRATION AND DEVELOPMENT, PRINCIPALLY FOR LAND PURCHASES AND DEVELOPMENT OF BANTU AREAS BY THE BANTU TRUST; R70M. FOR

PURCHASE OF ADDITIONAL SHARES OF ISCOR; AND R22 MILLION FOR LOANS TO PROVINCES, MAINLY FOR CONSTRUCTION OF SCHOOLS, HOSPITALS AND ROADS. IN ADDITION TO AMOUNTS ESTIMATED AS AVAILABLE TO FINANCE EXPENDITURE, MINISTER ESTIMATED FURTHER LOANS AMOUNTING TO R180M. LOCALLY AND R140M. OVERSEAS COULD BE RAISED, LEAVING SHORTFALL OF R322M.

7. HORWOOD RECONFIRMED GOVT'S INTENTION TO COMBINE REVENUE AND LOAN ACCOUNTS BEGINNING FY 1976/77. FOR PRESENT YEAR, COMBINED SHORTFALL IS R355 MILLION. IN TERMS OF MODERATELY EXPANSIONARY BUDGET THIS SHOULD NOT BE FINANCED ENTIRELY FROM INFLATIONARY SOURCES. THERE IS NO QUESTION THEREFORE OF GENERAL REDUCTION IN TAXATION. HE ANNOUNCED SOME CONCESSIONS HOWEVER FOR PERSONS OVER 60, AND INTAX TREATMENT OF RETIREMENT BENEFITS, PLUS INCREASED DEDUCTIONS IN ESTATE DUTIES FOR INVESTMENT IN GOVT SECURITIES TO ENCOURAGE SAVING; AND INCREASES IN TAX DEDUCTION FOR MARRIED WOMEN, EMPLOYERS PROVIDING HOUSING (OTHER THAN MINING OR FARMING), AND ON BONUSES FOR SERVICEMEN.

8. INVESTMENT ALLOWANCES FOR REPLACEMENT OF CAPITAL ASSETS IN BUSINESS ARE TO BE INCREASED BY 5 PERCENT IN VARIOUS CATEGORIES. EFFECT FOR MANUFACTURES IS WRITE-OFF OVER LIFE TIME OF AN ASSET OF 120 PERCENT FOR FACTORY BUILDINGS, AND 130 PERCENT FOR MACHINERY. IN DEVELOPMENT AREAS INCREASES AMOUNT TO 145 PERCENT AND 165 PERCENT RESPECTIVELY. OTHER CONCESSIONARY CHANGES AFFECT BENEFICIATION OF MINERALS, AND UNDISTRIBUTED PROFITS TAX

9. AMONG MEASURES PROPOSED TO INCREASE REVENUE REQUIRED BY SHORTFALL, HORWOOD ANNOUNCED AN EFFECTIVE INCREASE OF 1.975 CENTS PER LITER OF GASOLINE AND CITED NEED TO FINANCE SASOL II. ADDITIONAL REVENUE FROM INCREASED DUTIES ON ALL PETROLEUM PRODUCTS IS ESTIMATED AT R130M. IN 1975/76, WITH R13 M. ACCRUING TO NATIONAL ROAD FUND AND R117 M. TO THE STRATEGIC UNCLASSIFIED

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OIL FUND. INCREASED TAXES ALSO LEVIED ON LIQUOR, TOBACCO AND NON-ALCOHOLIC DRINKS. THE YIELD FROM INCREASED CUSTOMS AND EXCISE DUTIES IS ESTIMATED AT R66 M. FOR THE REVENUE ACCOUNT, WHICH WILL THEN SHOW A SURPLUS OF R21 MILLION.

10. TO YIELD ADDITIONAL REVENUE FOR THE LOAN ACCOUNT, THE LOAN LEVY ON COMPANIES IS INCREASED BY 2.5 PERCENT OF COMPANY INCOME TAX. FOR COMPANIES OTHER THAN GOLD OR DIAMOND MINING (WHICH ALREADY PAY A HIGHER LEVY THAN OTHER COMPANIES), THE TAX PLUS SURCHARGE WILL NOW BE 41 PERCENT AND THE LOAN LEVY 2 PERCENT OF INCOME. THE ADDITIONAL LEVY IS EXPECTED TO YIELD R48 MILLION IN 1975/76.

11. IN CONCLUDING HIS SPEECH THE MINISTER STATED HIS OWN AND THE GOVT'S FAITH IN THE PRIVATE ENTERPRISE SYSTEM AND QUOTED

ABRAHAM LINCOLN, WHOM HE DESCRIBED AS ONE OF THE MOST REALISTIC,
AS WELL AS HUMAN, OF ALL SUCCESSFUL DEMOCRATIC STATESMEN, AS
SAYING QTE YOU CANNOT BUILD CHARACTER AND COURAGE BY TAKING
AWAY MEN'S INITIATIVE AND INDEPENDENCE UNQTE; AND FURTHER QTE
YOU CANNOT HELP THE POOR BY DESTROYING THE RICH; YOU CANNOT
STRENGTHEN THE WEAK BY WEAKENING THE STRONG; YOU CANNOT BRING
ABOUT PROSPERITY BY DISCOURAGING THRIFT; YOU CANNOT HELP MEN
PERMANENTLY BY DOING FOR THEM WHAT THEY COULD DO FOR THEM-
SELVES. UNQTE.
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